



July 2006

DRAFT: Master of Science in Real Estate University of Washington

Introduction

The University of Washington seeks Higher Education Coordinating Board (HECB) approval to offer a Master of Science in Real Estate (MSRE). The program would begin in fall 2006, enrolling 20 students in the first year and 40 students in subsequent years.

The program would be housed within the Department of Urban Design and Planning (URBDP) in the College of Architecture and Urban Planning (CAUP). The program would respond to the needs of a complex industry that involves a wide variety of stakeholders, including developers, regulators and environmentalists. The program would train industry leaders who understand diverse perspectives and develop innovative approaches to real estate issues. Unlike the real estate coursework traditionally offered at community colleges, the UW program would not be focused primarily on residential real estate or brokerage opportunities, but would provide a more interdisciplinary approach. The proposed degree is a coordinated program that draws on urban planning, law and finance to prepare graduates to take leadership positions in public, private and non-profit organizations as planners, developers, investors, or lenders and to advance the discipline by promoting more effective, efficient, economical and socially responsible real estate decisions.

Traditionally, real estate programs have been housed within business schools' finance departments. However, the proposed program has a broader and more holistic focus. It emphasizes an in-depth interdisciplinary approach to real estate education, integrating students and faculty from the CAUP with students and faculty from other disciplines, such as business, law, engineering, and public affairs. An interdisciplinary approach would enable students who possess excellent technical, management, communication, and teamwork skills -- and who are willing to work collaboratively to solve complex problems -- to become industry leaders.

The URBDP already offers a master's level Specialization in Real Estate (SRE), which is oriented toward students pursuing careers that do not focus exclusively on real estate, but do depend on a certain level of real estate understanding. The proposed program would extend the SRE program

by adding more strategic components and providing more in-depth training. It is targeted to students who are primarily interested in careers in the real estate industry.

Relationship to Institutional Role and Mission and the Strategic Master Plan

The program would leverage the strength of the existing SRE program by supporting the exploration of emerging issues through research activities, classroom projects, discussions, and industry outreach efforts. The program would serve the public by training industry leaders to make effective, efficient, economically and socially responsible real estate decisions. Thus, the program supports the university's mission to disseminate knowledge through scholarly exchanges and public service.

The program's goals are consistent with those of the *2004 Statewide Strategic Master Plan*, in that they provide opportunities for students to earn degrees and respond to the state's economic needs. The proposed program would be the first graduate real estate program in Washington, the only one in the Pacific Northwest, and one of only 19 across the country.

Program Need

The proposal is a response to needs expressed by students, employers, and community stakeholders. The *State and Regional Needs Assessment* finds that all occupations are becoming increasingly complex and require workers who are prepared with higher levels of education than in the past. The report suggests that such workers would ideally develop a mix of technical, management, communication, and teamwork skills. Furthermore, it notes that a UW study has identified real estate, construction and related finance occupations as key growth industries (*Private and Public Leader Interviews on Economic Development and Education Opportunities for Washington State Universities and Colleges*, draft report prepared by Ryan Landtroop, University of Washington, 2005, funded by the Sloan Foundation).

Program developers assessed student demand for the proposed program based on enrollment in the existing SRE program, SRE core course enrollments, enrollments in the UW Extension Commercial Real Estate Certificate program, and student inquiries about a graduate real estate program:

- URBDEP launched its SRE program in 2002, with an enrollment cap of 10 students per year. It has attained that cap every year.
- Core courses in the SRE program have been drawing 36 to 40 students, comprised of three groups of relatively equal size that reflect the demand for interdisciplinary real estate education: (1) Master's in Urban Planning (MUPs), (2) Master's in Business Administration (MBAs), and (3) students drawn from across campus.
- The UW Extension Commercial Real Estate Certificate program, founded in the 1990s, has also been successful in filling its maximum quota per year, with some 35 students enrolled in the current program.

- Over the past several years, the department has fielded an increasing number of inquiries from students seeking in-depth, interdisciplinary real estate education.

Program developers assessed employer demand for the proposed MSRE program based on discussions with potential employers, donors and national and regional leaders in key industry trade associations, and on industry demand for interns:

- Potential local and national employers and donors indicated that there is an unmet demand for graduates of the proposed program, both nationally and in the Pacific Northwest.
- National and regional leaders in key industry trade associations, including the International Council of Shopping Centers, National Association of Industrial and Office Properties, Building Owners and Managers Association, and Urban Land Institute cited a need for better-trained professionals with an interdisciplinary focus who can help advance industry practices.
- Demand for interns through the UW's Runstad Center for Real Estate Studies internship program has outpaced the supply of students since its creation in 2004.

The proposed program fills a need for a graduate degree in real estate that is not offered at any major university in the Pacific Northwest. The only other comprehensive real estate degree program in Washington is WSU's undergraduate program. Although community colleges also offer real estate courses, they are focused on residential real estate or brokerage opportunities. Finally, although an isolated number of graduate real estate courses might be offered within the state system under related disciplines such as law and finance, there is no coordinated program that offers the integrated interdisciplinary approach envisioned at the UW.

Program Description

The Master of Science in Real Estate is designed to prepare effective and responsible leaders who can help advance the discipline to promote more effective, efficient, economical and socially responsible real estate decisions. Graduates would be prepared for occupations as planners, developers, investors and lenders. A strength of the program is a focus on environmental management and sustainable development. The program covers the full breadth of the real estate product life cycle, the diverse array of property types and market settings, and perspectives spanning local, national and global levels in an attempt to cultivate holistic, generalist approaches that are appropriate for managing the complex processes that underlie the discipline. The program's four main goals are as follows:

- Provide a sound theoretical foundation and research skills to support real estate decision-making.

- Cultivate pragmatic, applied decision-making skills that capture best practices among real estate and closely related disciplines with respect to real estate.
- Develop an understanding of the legal, political and social context within which real estate resource allocation and utilization should be made.
- Develop leadership skills to help advance the industry and achieve support for recommendations.

For each goal, the proposal describes three or four objectives, a strategy for meeting each objective, and two to four student learning outcomes related to each objective for a total of 15 objectives, 15 strategies, and 50 learning outcomes. The descriptions are thorough and well thought out.

Students admitted to the program would typically possess a baccalaureate degree with a minimum Grade Point Average of 3.0 in the final two years of study, and would have taken the GRE or GMAT. Students would enter UW in a 20-person cohort during fall quarter, and would complete a well-defined, six-quarter course of study. During that time, students would complete a curriculum consisting of three basic components: a six-course real estate core, a six-course real estate elective requirement, and six-to-eight courses from various departments across campus.

The core real estate courses would be sequenced to cover the six quarters of study in the program. Students would also take one real estate elective per quarter. In addition, students would have the flexibility to take one or two electives from other departments every quarter. Finally, students would culminate with a capstone course in which they present a formal report that integrates their educational and professional experiences. A typical sequence of study would look like this:

Year 1	Course Title
Fall	Real Estate Process
	Real Estate Law and Ethics
	1-2 Electives
Winter	Real Estate Finance
	Real Estate Development
	1-2 Electives
Spring	Real Estate Investments
	Real Estate Appraisal
	1-2 Electives
Year 2	Course Title
Fall	Real Estate Feasibility
	Real Estate Capital Markets
	1-2 Electives
Winter	Real Estate Portfolio Management
	Real Estate Studio
	1-2 Electives
Spring	Real Estate Asset management
	Real Estate Capstone Seminar
	1-2 Electives

For each real estate course, the proposal provides a detailed course description and indicates the treatment level (awareness, understanding or mastery) at which the course exposes students to each of the program's 15 objectives.

At full capacity, the program would accommodate 40 students; 20 in their first year of study and 20 in their second year of study. In its first year, the program would accommodate 20 new students (20 FTE). The program would grow to 40 students (40 FTE) by its second year and would remain at 40 for its third through fifth years.

Students would be taught using a combination of tenured faculty, tenure-track faculty, affiliate faculty, and adjunct faculty. Current faculty on campus have sufficient capacity to cover the first year of the program until additional faculty are hired. The program would require 2.5 faculty FTEs in its first year, increasing to 3.5 FTE in the third year and thereafter. If approved, the program would recruit two additional full-time faculty members to ensure program sustainability.

The program proposal includes a clearly-defined set of expected student learning outcomes that appear to be consistent with the attributes that employers seek in new hires. Program outcomes are clearly linked to the overall program goals and to individual courses. Students would be assessed throughout the program in individual courses and through a capstone project.

In addition to regular course evaluations, the program would be assessed using a series of measures that include an exit survey and alumni and employer surveys. The exit survey would assess the extent to which the program was successful in teaching various aspects of leadership in real estate, and would identify areas of weakness for further examination. A follow-up survey would obtain more detailed information and suggestions for improvements in the curriculum or quality of instruction. Course content would be reviewed at least every two years during the first four years of the program, and quality-of-instruction issues would be addressed annually. In addition, alumni and employer surveys would provide valuable information on how the program is meeting its objectives.

Diversity

Program staff have made efforts to provide access to diverse student populations. These efforts include raising over \$250,000 to fund diversity scholarships. In addition, the program's students would be eligible for diversity scholarships provided by a number of professional trade associations.

Furthermore, program staff have experience participating in diversity outreach efforts. The program director has participated in outreach efforts sponsored by the Multi-Cultural Student Association at Bellevue Community College. The program director is also a trustee of the International Council of Shopping Centers Educational Foundation, a major sponsor of the Real Estate Apprentice Program based in Washington, D.C., whose mission is to recruit and train minorities for professional careers in real estate.

The UW Graduate School has recently hired a recruiter to help attract minority students. Program staff would consult her and other on-campus resources, including the Office of Minority Affairs, for help in recruiting. Once launched, program marketing would be targeted to ensure that the program attracts a diverse pool of potential students.

Finally, by virtue of its interdisciplinary nature, the program would tend to draw a diverse student body through its outreach efforts to students and faculty from other UW departments.

External Review

The program was reviewed by two external experts: Richard Peiser, professor at the Harvard University Graduate School of Design, and Norm Miller, professor and director at the University of Cincinnati Real Estate Center.

Both reviewers enthusiastically endorsed the program proposal and felt that the program's location within URBDP was appropriate. With regard to the program's interdisciplinary approach, Peiser wrote that the program is consistent with current directions in the field and that the interdisciplinary approach would avoid difficulties that many real estate programs have as a result of offering courses within only a single school. Miller wrote that the interdisciplinary approach is much preferred over the traditional approach.

Both reviewers have raised issues for clarification:

Peiser wondered whether the program proposal offers more courses than necessary. He also noted that the curriculum didn't seem to take full advantage of courses already offered by URBDP. Finally, he felt the proposal didn't sufficiently emphasize the benefits of having the Runstad Center, with its deep connection to Washington's real estate industry, already in existence.

In response to Peiser's concerns, program developers explained that the course overlap is intended to accommodate students' diverse interdisciplinary backgrounds, and the number of courses is consistent with that of other universities. In addition, the program draws on courses currently offered in URBDP. Finally, they agreed with Peiser, stating that the Runstad Center would assist in fundraising, program support, and marketing. They further stated the center's goodwill has been instrumental in preparation of an MSRE proposal.

Miller raised some specific issues regarding a few of the program's courses and made specific recommendations about course materials and software. He also raised concerns about course descriptions, duplication and sequencing. He suggested offering a Certified Commercial Investment Member (CCIM) plan for students wanting to pursue such a designation. Further, he asked whether internships could be more thoroughly integrated into the program. Finally, he suggested the program add placement staff.

In response to Miller's concerns, program developers revised course descriptions and which materials and software students would use. In addition, they explained that course sequencing

reflected a level of redundancy that was deliberately built into the program to approach issues from multiple perspectives, and to help ensure necessary levels of awareness, understanding, and mastery of skills. They indicated that they would encourage students to develop a close working relationship with professional associations such as CCIM, and that they would encourage students with limited experience in the field to take internships. Finally, they indicated that staff would be added as needed.

Program Costs

The program would enroll 20 FTE students in the first year, growing to 40 FTE by the second year and remaining at that level through the fifth year of the program. During the first year, the program would draw heavily on existing faculty expertise. Program costs are estimated, based on faculty time equivalent to 2.5 full-time faculty positions the first year, increasing to 3.5 FTE faculty positions by the third year and remaining at 3.5 FTE thereafter. Administrative costs are based on a 1 FTE program administrator and a 1 FTE administrative support position.

No capital improvements would be required for program implementation, but the proposal did budget \$5,000 to \$6,000 per year for library costs.

Costs per FTE student are estimated as follows:

Year 1 (2006-07)	Year 2 (2007-08)	Year 3 (2008-09)	Year 4 (2009-10)	Year 5 (2010-11)
\$15,496	\$13,353	\$14,306	\$15,264	\$16,252

The MSRE would be funded by a combination of endowment funds that have been received, new pledges, and new state funds allocated to the UW in the 2005-07 biennial budget. Under this and subsequent budgets, the UW would allocate funds for 20 new graduate students during 2006-07 and 40 graduate students in 2007-08 and thereafter. The average direct cost of instruction for graduate students in architecture at the University of Washington, as reported in the HECB 2001 Cost Study, is \$13,901; the average direct cost of instruction for graduate students in business is \$12,232. While the proposed degree program is offered at a higher-than-average cost per FTE, costs appear to be reasonable and significant support for the program is provided through endowment funding.

Staff Analysis

The proposed program would support the unique role and mission of the institution by providing students with an opportunity to engage in interdisciplinary scholarship while earning a degree that connects with the university's mission to advance knowledge through many forms of research, inquiry and discussion.

The program also responds to the strategic master plan's goals of providing opportunities for students to earn degrees and responding to the economic needs of the state by providing students with an interdisciplinary education that would prepare them to be industry leaders.

The proposed program includes an assessment approach with well-defined student learning outcomes that are tied to specific coursework in the curriculum and assessed throughout the program. In addition, UW staff would implement a program assessment system that would provide feedback from a variety of stakeholders to ensure program improvement.

The program responds to demonstrated student, employer, and community needs, and is consistent with the *State and Regional Needs Assessment* and the institution's own assessment of need.

Program staff have experience in diversity outreach efforts and have already raised over \$250,000 to fund diversity scholarships. Program staff would consult with the UW Graduate School and with the Office of Minority affairs to target program marketing to a diverse pool of applicants. Finally, the program would tend to draw a diverse student body by virtue of its interdisciplinary nature.

The program would not duplicate existing programs and would be offered at a reasonable cost.

Recommendation

The Education Committee discussed the proposal when it met on July 13. It has requested additional information related to demand for the program, sustainability of the program, and clarification of the revenue that would support the program costs. UW has submitted a memo (attached) that responds to the committee's questions. Based upon careful review of the program proposal and the institutional response to the Education Committee's questions, HECB staff recommend approval of the University of Washington Master of Science in Real Estate.

Attachment A

MSRE Proposal Follow-up Responses

Demand

- **Student/Program**
 - **Student Demand.** The typical graduate real estate program admits 20 to 30 students, which is less than one third of the number of qualified students seeking such training. The Pacific Northwest has no comparable MSRE program, thus forcing students to go out of state.
 - **Program Demand.** At the national level, the annual output of graduate students from MSRE-type programs is in the range of 400-500, with current demand placing upward pressure on those figures. The demand for interdisciplinary education is more acute.
- **Industry Demand**
 - **National.** The industry has documented its appetite for a larger, more diverse, and more highly-trained pool of graduate students than is currently being produced by universities.
 - **Local Demand.** We have not been able to generate a sufficient number of students to satisfy local demand, which is an unmet demand for specialized skills the MSRE would generate.

Sustainability

- **Industry Need**
 - **Demand.** Industry leaders point out that real estate will become even more complex, creating ongoing and growing demand for well-rounded, highly-trained graduate students.
 - **Students.** There is sustainable demand for graduate real estate education, especially in the Pacific Northwest, where complex issues surrounding real estate demand such skills.
- **University Support**
 - **Colleges.** The college and the department, and colleges across campus, are firmly committed to the MSRE program in terms of resources to allow it to succeed as an interdisciplinary program.
 - **Faculty.** The program will be staffed with 3.5 tenure track positions to give it sufficient scale, address succession planning, and support its teaching, research and service responsibilities.

Funding

- **Cost-FTE-student.** The cost-FTE-student ratio is commensurate with the needs of a nationally regarded program and within UW's range. When endowment revenues are used to offset expenses, the cost-FTE-student ratio is further reduced.

- **Revenues**
 - **Endowment Supplement**
 - **Endowment Funds.** The Runstad Center for Real Estate Studies has raised over \$3 million to support real estate education and the MSRE. The campaign is seeking another \$5 million to further enhance teaching, research and service.
 - **Endowment Revenue.** The current endowment will generate \$160,000 to \$190,000 per year to be supplemented by additional fundraising.
 - **New State Funds.** The state has allocated support for the 20 students to be admitted to the 2-year MSRE program, translating to 40 students per year thereafter.
 - **Scholarship Support.** To attract top-tier students and address diversity concerns of the industry, over \$500,000 has been raised for scholarships.

Real Estate Program Expenses and Revenue

Line Item	New State Funds	Other Sources ^a	2005/2006	Year 1 Total	Year 2 Total	Year 3 Total ^b	Year 4 Total	Year 5 Total
Program Expenses								
Administrative Salaries (# FTE) Benefits @	\$ -	\$ -	\$ -	\$ 54,376	\$ 57,095	\$ 59,950	\$ 62,947	\$ 66,095
Faculty Salaries (# FTE) Benefits @ 22%	\$ 182,341	\$ 239,079	\$ 276,836	\$ 421,420	\$ 540,304	\$ 567,319	\$ 595,685	\$ 625,469
TA/RA Salaries (# FTE) Benefits @ 22%	\$ 38,097	\$ -		\$ 38,097	\$ 75,901	\$ 81,271	\$ 85,334	\$ 89,601
Clerical Salaries (# FTE) Benefits @ 22%	\$ 10,612	\$ -	\$ 10,404	\$ 10,612	\$ 10,824	\$ 11,041	\$ 11,262	\$ 11,487
Contract Services ^c	\$ 54,899	\$ -	\$ 24,411	\$ 54,899	\$ 75,397	\$ 95,905	\$ 116,423	\$ 136,951
Goods & Services	\$ 6,556	\$ -	\$ 6,365	\$ 6,556	\$ 6,753	\$ 6,956	\$ 7,164	\$ 7,379
Travel	\$ 6,556	\$ -	\$ 6,365	\$ 6,556	\$ 6,753	\$ 6,956	\$ 7,164	\$ 7,379
Equipment	\$ 13,113	\$ -	\$ 12,731	\$ 13,113	\$ 13,506	\$ 13,911	\$ 14,329	\$ 14,758
Library	\$ 5,464	\$ -	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,796	\$ 5,970	\$ 6,149
Software Licensing	\$ 6,556	\$ -	\$ 6,365	\$ 6,556	\$ 6,753	\$ 6,956	\$ 7,164	\$ 7,379
Professional Affiliations	\$ 2,185	\$ -	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460
Total Cost	\$ 380,757	\$ 239,079	\$ 350,904	\$ 619,836	\$ 801,165	\$ 858,378	\$ 915,831	\$ 975,108
FTE Students	40	40	20	40	60	60	60	60
Cost-per-FTE Student	\$ 9,519	\$ 5,977	\$ 17,545	\$ 15,496	\$ 13,353	\$ 14,306	\$ 15,264	\$ 16,252
Program Revenue								
General Fund: State Support ^d		-		\$ 343,419	\$ 686,838	\$ 721,180	\$ 721,180	\$ 721,180
Tuition and Fees (total) ^e	\$ 186,024		\$ 190,699	\$ 186,024	\$ 189,744	\$ 193,539	\$ 197,410	\$ 201,358
Corporate Grants / Donations	-	-	-	-	-	-	-	-
Internal Reallocation ^f	-		\$ 33,579	\$ 35,258	\$ 37,021	\$ 38,872	\$ 40,815	\$ 42,856
Endowment Revenue	\$ 239,079		\$ 157,363	\$ 165,876	\$ 175,848	\$ 180,612	\$ 184,431	\$ 187,951
Total Revenue	\$ 425,103		\$ 381,641	\$ 730,577	\$ 1,089,451	\$ 1,134,203	\$ 1,143,836	\$ 1,153,345
Surplus/(Deficit) ^g	\$ 44,346		\$ 30,738	\$ 110,741	\$ 288,286	\$ 275,824	\$ 228,005	\$ 178,236

^a Allocation from funded Endowment.

^b Year fully staffed; Salaries escalate at 5% per year, and Services at 3% per year.

^c Contract Services Include: Department Support, Interdisciplinary Incentive and Reserve.

^d State support for 20 new (40 total) students per year.

^e Tuition and Fees related to existing MUP/Real Estate Specialization.

^f Washington state faculty line (1/2).

^g Surplus used to fund additional faculty, scholarships, student support and general operating requirements.

RESOLUTION NO. 06-16

WHEREAS, the University of Washington proposes to offer a Master of Science in Real Estate; and

WHEREAS, The program would support the unique role and mission of the institution; and

WHEREAS, The program would respond to demonstrated student, employer, and community needs that are consistent with the state and regional needs assessment and the institution's own assessment of need; and

WHEREAS, The recruitment and diversity plan are appropriate to the program; and

WHEREAS, The program has received support from external experts; and

WHEREAS, The costs are reasonable;

THEREFORE, BE IT RESOLVED, That the Higher Education Coordinating Board approves the Master of Science in Real Estate at the University of Washington.

Adopted:

July 27, 2006

Attest:

Gene J. Colin, Chair

Bill Grinstein, Vice Chair